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FIRST COUNTRY COOPERATION FRAMEWORK FOR THE PEOPLE'S REPUBLIC OF CHINA (1996-2000)

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INTRODUCTION

1. The first country cooperation framework (CCF) for the People's Republic of China covers the period 1996-2000, which conforms to the period covered by the country's ninth five-year development plan. As with programme recommendations for previous cycles, the present CCF was prepared by the UNDP counterpart organization, the China International Centre for Technical and Economic Exchanges (CICETE), acting on behalf of the Ministry of Foreign Trade and Economic Cooperation (MOFTEC), the government focal point for UNDP cooperation. The present CCF is a product of extensive consultations between the Government and UNDP and is intended to be the Memorandum of Understanding on where and how UNDP cooperation will be utilized during the period covered. The country's ninth five-year development plan was used as the basis for the drafting of the present CCF, along with the sustainable human development (SHD) mandate. Consultations on the new programme included:

(a) The November 1993 mid-term review of the third country programme, where new ideas and directions for the first CCF were discussed between the Director-Generals of CICETE and MOFTEC and, on the UNDP side, the Resident Representative, the Deputy Director of the Regional Bureau for Asia and the Pacific (RBAP) and the Assistant Administrator and Director of the Bureau for Policy and Programme Support;

(b) In early 1994, CICETE and UNDP conducted a series of "brainstorming" sessions on the present CCF, covering both general concerns and specific priority areas, such as poverty alleviation, environment and energy, economic reform and social development, including health and education;

(c) At a major discussion between CICETE and the UNDP country office in early 1996, the Government presented its ideas on the five priority areas for UNDP cooperation, following the release of the draft Ninth Five-Year National Economic and Social Development Plan for 1996-2000;

(d) With the visits of the UNDP Administrator and the Assistant Administrator and Director of RBAP in September 1995, new ideas and modalities for the first CCF were discussed at the highest levels with senior officials from CICETE, MOFTEC, the State Planning Commission, the State Science and Technology Commission, the Ministry of Foreign Affairs, the State Council Leading Group on Poverty Reduction and the National Environment Protection Agency;

(e) A series of meetings with bilateral donors, United Nations agencies and multilateral agencies took place in 1995-1996, at which ideas on future programming were exchanged and exploring areas for coordination and possible collaboration were explored. In addition, UNDP held programme coordination consultation with United Nations Joint Consultative Group on Policy (JCGP) partner agencies;

(f) During their field visit to China in February 1996, members of the Executive Board held discussions with CICETE, MOFTEC and other government agencies on future directions for UNDP cooperation with China;

(g) The present CCF also reflects the consensus already reached between the Government and the UNDP country office in China, as presented in the advisory note on the new programmes and modalities for the first CCF.

I. NATIONAL DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. China has made substantial progress since launching its economic reforms and opening up to the outside world in 1978, and the country's economic and social systems are still in a state of transition. During the period 1980-1995, the economy has fluctuated around a very high average per capita growth rate of 9 to 10 per cent; over 80 per cent of all producer and consumer product prices have been deregulated; and market institutions and attitudes have proliferated.

3. The fundamental restructuring to a socialist market economy and decentralized economic decision-making has been mirrored by equally swift social changes. These include rapid urbanization; the withdrawal of state control from many aspects of social, cultural and economic life; the spread of modern media and communications technologies, putting millions of Chinese in touch with international ideas and norms; a dramatic rise in consumerism; increased personal mobility; revival of traditional cultural and religious attitudes; and a rise in crime and widening inequalities between regions and among individuals, in terms of economic and social status. For most people in urban and rural areas, living standards have also risen substantially, during much of the reform period.

4. Within the above economic and social context, the country's ninth five-year development plan was formulated and approved at the Fifth Plenary Session of the 14th Party Congress, held in September 1995. As in past cycles, since the Government's overall development objectives, priorities and strategies are contained within it, the plan remains the basic framework within which all external development assistance for China is requested. The major goals to be attained by the year 2000 are:

(a) To quadruple the per capita gross national product (base year 1980) five years ahead of the original schedule;

(b) To raise the people's living standard to that of a fairly comfortable life, with poverty practically eradicated;

(c) To expedite the formulation of a modern state enterprise system and establish a socialist market system;

(d) To improve efficiency in the allocation efficiency of resources, advance technological progress so as to achieve sustainable economic and social development.

5. The Government's development plan also set out the "two shift" strategies for the attainment of the above-mentioned goals: first, the shift from the traditional planned economy to a socialist market system, where a series of reform measures were taken to reshape the systems of macroeconomic planning,

taxation, banking, enterprise management, foreign exchange and trade, towards a more open, market-oriented economy, within the context of a socialist State; second, the shift in economic growth from an "extensive mode" which relied on a large number of inputs in terms of labour and resources, to an "intensive mode", which stresses quality, efficiency and productivity. Other key parts of the plan include: top priority to agriculture and food self-sufficiency; reform of the state-owned enterprises, as central to the economic restructuring; integration of the market with macroeconomic controls, so as to give proper guidance to the economy; and invigoration of the economy with science, technology and education.

6. Despite much change and improvement, however, from an SHD perspective major economic and social problems persist and new problems have emerged:

(a) While the number of people living in absolute poverty fell sharply in the first six years of reform, from over 270 million to an estimated 100 million in 1985, progress has since been much slower. Currently, 65 million people still live under the poverty line of 500 yuan ($60). Poverty has persisted in the remote regions of the western part of the country, which lack adequate access to water, arable land and other natural resources. Meanwhile, new sources of poverty have arisen in urban areas, in part due to the increased mobility of the population and the migration of a large "floating population" from the rural to the large metropolitan areas in the eastern and southern part of the country;

(b) Unemployment has increased, despite the unprecedented high economic growth rates. The main factors contributing to the problem include the existence of a large labour surplus in agriculture, the rise of migrants looking for work in urban areas, and ongoing efforts to restructure and downsize state-owned enterprises;

(c) Environmental deterioration has become acute, owing to lack of attention to the subject prior to 1978, the pressures of rapid economic growth since then, an over-dependence on coal-based energy, severe shortages of fresh water, and the lack of protection of the available water supply. In addition, China has lost substantial amounts of farmland to development, erosion, and intensified use of chemical fertilizers and pesticides;

(d) While women have benefited from the reforms and the many new opportunities created, they have also suffered from discriminatory employment practices in the emerging market economy. Women in poor rural areas also continue to suffer from inadequate basic health and education services.

7. China's fundamental poverty, unemployment, environmental degradation, women's marginalization and economic transition concerns are all interrelated, and must be tackled within the framework of a comprehensive SHD strategy, geared towards overcoming the main underlying causal factors. The Government intends to address the above-mentioned issues within the context of priority national programmes included in its ninth five-year development plan for the period 1996-2000.

II. RESULTS AND LESSONS LEARNED

8. The third country programme for China, which covered the period 1991-1995, was designed to assist the Government in the implementation of its national policy of economic reform and opening up to the outside world. Based on the Government's Eighth Five-Year National Development Plan, which covered the same period as the country programme, the Government and UNDP agreed to focus UNDP cooperation on five priority areas: (a) rural economic development and production; (b) energy, transport and telecommunications; (c) industrial productivity; (d) social development and environment; and (e) economic reform and public administration. The first and second country programmes had concentrated on meeting basic needs in the agricultural sector, technological renovation in industry and capacity-building in the Government and in the many research and training institutions under the State.

9. The November 1993 mid-term review of the third country programme concluded that the programme had responded well to key national priorities, through the provision of policy advice, the transfer of technology and capacity-building to support the countries efforts towards modernization and economic reforms. As one of the country's main donors during that critical period, UNDP technical cooperation was appreciated for its politically neutral, catalytic and complementary nature. In addition, during the course of the third country programme, the Government and UNDP made timely and appropriate adjustments in response to the changing needs associated with the quickened pace of economic reform. Following a period of austerity from 1990-1992, the economy resumed a high-growth pattern. At the same time, there was a significant shift towards the establishment of a socialist market economy. As a result, the Government and UNDP decided to shift more attention to market reform and the consequent environmental and equity considerations.

10. The mid-term review thus recommended that new programmes target economic reform, poverty alleviation and environmental protection. Sustainable development, as espoused as a guiding principle by the United Nations Conference on Environment and Development in 1992, was thus incorporated into the country programme. The mid-term review noted that the programme approach should achieve greater impact and effectiveness in the delivery of technical cooperation. However, its use should be based on national programmes and it should be applied flexibly, depending on specific needs. National execution capabilities should be strengthened, with a shift to national execution in the implementation of UNDP programmes in the country. With regard to programme monitoring and evaluation, the review noted that there was room for further improvement, especially with regard to the development of baseline data and benchmarks for impact assessment.

III. PROPOSED STRATEGY AND THEMATIC AREAS

A. Strategy

11. Tremendous changes have taken place since the formulation of the third country programme in 1990. At that time, the Government emphasized resuming a high-growth economic strategy and further reaching out to the outside world.

Given the dearth of foreign investment and to spur economic growth at that time, UNDP cooperation was used by the Government primarily as a source of hard currency and as one of the few windows to the outside world for the transfer of technology and industrial renovation. However, since 1992, foreign investment has sharply accelerated and the Chinese economy achieved very high growth rates. The Government's priorities have shifted to containing inflation, curbing unemployment and reducing the adverse social effects resulting from high growth. With emphasis on the two latter priorities, the strategy for future UNDP cooperation will be to support the Government's three central objectives of reform, development and stability, through the development and implementation of SHD programmes. In addition, UNDP will continue to be an important multilateral vehicle by which China can share its development experiences with other developing countries.

12. Despite the large flow of foreign aid and investment into China (in 1995, approximately $3 billion and $35 billion, respectively), the Government recognizes a continuing unique role for UNDP in supporting national development, especially in SHD areas. UNDP remains the largest United Nations system donor, with core and non-core assistance of $35 million, annually. Multilateral financial institutions such as the World Bank and the Asian Development Bank mainly provide capital assistance for economic, social and physical infrastructure, with related policy and technical support. Bilateral donors provide almost $1 billion annually in commercial and soft lending and lesser amounts of grant assistance for technology transfer and investment in transport, telecommunications and industry. UNDP grant assistance is utilized by the Government to play:

(a) A politically neutral role in policy work in such sensitive areas as tax reform, civil service reform, the prevention and control of the human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS), the control of drug trafficking and addiction, budgetary procedures, employment promotion, social security, and sustainable development, along the lines of Agenda 21;

(b) A catalytic role in mobilizing additional domestic and external resources in such SHD areas as sustainable development, poverty elimination, and the rehabilitation of areas struck by natural disasters;

(c) A coordinating role to help mobilize and rationalize external multilateral and bilateral assistance, in support of priority national- and provincial-level programmes.

13. Taking the basic nature of UNDP assistance into consideration, as outlined in paragraph 12 above, major changes between the last country programme and the new CCF are expected, as presented in table 1 below.

Table 1. Comparison of the nature of UNDP cooperation for the third country programme and the first country cooperation framework

Third country programme	First country cooperation framework
Broader in scope	More focused on priority national SHD programmes
Large number of projects	Fewer but larger projects
Project-based	Programme approach in support of specific national programmes
Sectoral: agriculture, industry, energy, transport, telecommunications	Thematic: poverty eradication, including agriculture, environmental protection, economic reform
Downstream, more specific and area-based, with medium-term impact on smaller group of beneficiaries	Upstream SHD policy interventions, with downstream demonstration of innovative implementation approaches and capacity-building
Location: Beijing and more developed areas in the eastern part of the country	Location: underdeveloped poor areas in central and western part of the country
Indicative planning figure system of resource allocation	Target for resource assignments from the core lines 1.1.1 and 1.1.2 - competitive, incentive-based system, focusing on SHD
Five-year programming cycle	More dynamic three- to five-year rolling programming cycle

14. To reinforce the shift to an effective SHD orientation, the strategy for UNDP cooperation during the period covered by the first CCF includes the following:

(a) Concentration in a few priority SHD thematic areas: The Government and UNDP have agreed to concentrate UNDP cooperation in the SHD thematic areas given highest priority in the Government's ninth five-year development plan, namely: elimination of poverty; promotion of sustainable agriculture and food scarcity; economic reform, employment and public administration; environmental protection and energy efficiency; and social development, including basic health and education. In all of these areas, priority will be given to the application of science and technology to achieve substantial improvements in productivity, output and income in the national development process. Priority will also be given to women, in order to ensure their enhanced participation in national development activities;

(b) Programme approach: For the first CCF, the programme approach will be defined to mean that UNDP project interventions will be identified and designed to support specific national priority SHD programmes. The main priority areas

for UNDP cooperation in China during the period covered by the first CCF will include national programmes and corresponding United Nations global conference goals, as summarized in table 2 below.

Table 2. National and international context for UNDP cooperation

UNDP/Government cooperation framework	National programme	United Nations global conference
Poverty elimination, including agriculture and food security	National "8-7" poverty reduction programme; agriculture strategy	World Summit for Social Development, 1995
Employment promotion urbanization strategies	Employment and vocational training, small town development programmes	World Summit for Social Development, 1995; United Nations Conference on Human Settlements (Habitat II), 1996
Social development, including health, education and women's issues	National development strategy for women, 1996-2000; national education and health for all programmes	World Summit for Children, Fourth World Conference, 1995
Environment protection and sustainable development	National Agenda 21 strategy and other relevant programmes	United Nations Conference on Environment and Development, 1992

(c) Policy, demonstration and capacity-building objectives: The new projects in the first CCF will be designed, where appropriate, to incorporate upstream SHD policy interventions, downstream demonstration of improved national programme implementation approaches, and capacity-building to ensure maximum national self-reliance with respect to both upstream and downstream work. It is hoped that such an integrated approach will contribute to more comprehensive and effective solutions and results, the testing and validation of policy recommendations resulting from downstream experimentation and demonstration activities, better programme implementation as a result of the capacity-building work, and improved coordination between the central Government and the provincial levels concerned with programme implementation;

(d) Increased priority to resource mobilization: During the period covered by the first CCF, priority will be given to the design of projects so as to attract substantial government and/or bilateral cost-sharing and parallel contributions to supplement core resources in support of SHD objectives (see chap. IV below):

(e) National execution will continue to be the main mode of project execution. With the shift to an SHD focus, it will be necessary for national executing agencies to: (i) identify and involve more local research and training institutions working in SHD areas; (ii) increase capacity-building and substantive knowledge in SHD fields; and (iii) further translate the global conference goals and targets into action programmes at the country level;

(f) Size of projects: As recommended by the mid-term review, larger projects will be developed, using the programme approach to achieve greater impact on the target beneficiaries and contribute more significantly to national programmes. Selective strategic interventions through stand-alone projects will also be made as required;

(g) Geographical distribution: Geographically, UNDP cooperation will be focused in the north-western and south-western parts of the country, where economic progress has lagged, despite the economic reforms, and where most of the poor are located in remote, mountainous and ecologically fragile areas. UNDP will also promote "twinning" arrangements between its successful projects in Beijing and other more developed areas and the new country projects in the western part of the country, in support of the Government's "Developed East helps Underdeveloped West" strategy;

(h) Improved impact assessment: In response to donor calls for greater accountability and impact assessment, efforts will be made to institute a system of targeting, benchmarks and success criteria for new projects supporting national programmes. Improved quantitative indicators will be developed and measured against national programme and SHD indicators (see chap. IV below);

(i) Linkage to UNDP regional and subregional projects: The Government would like to provide country support towards the following regional programmes in three priority areas: (i) subregional economic cooperation, including the Upper Mekong River Basin Programme, the Tumen River Area Development Programme, and the New Euro-Asia Continental Land Bridge Programme; (ii) environmental and natural resources, including the Seabuckthorn Development and Hangzhou International Center for Small Hydropower Projects; (iii) poverty alleviation, including (i) the Traditional Medicines Research and Training projects, (ii) the Township and Village Enterprises (TVE) Development project, (iii) the HIV/AIDS Awareness and Control project, and (iv) the Macroeconomic Reform Project, including policy dialogue and capacity-building on priority transitional economy issues;

(j) The technical cooperation among developing countries (TCDC) dimension: The Government will continue to share its development information and best and replicable practices with other countries. At the same time, particularly in the priority areas identified in the present CCF, the Government is prepared to utilize the relevant experiences from other countries in the South. To this end, TCDC instruments, such as compilation of best practices, subject specific workshops, capacities and need matching exercises, twinning and networking arrangements, etc., will be utilized.

B. Thematic areas

Poverty elimination

15. The National "8-7" Poverty Reduction Programme is the Government's strategy to reduce the number of absolute poor (80 million in 1994) in seven years, that is by the year 2000. The primary goal of the national "8-7" programme is to achieve a per capita income standard of renminbi 500 yuan for the existing poor population. Infrastructure investment to overcome severe water supply problems, develop rural roads, and provide electricity to the poor remote areas are a major feature of the programme. The other major features are: (a) the migration of poor from "pockets" of chronic poverty in remote and dryland areas to industrial zones and other high-growth areas where employment at higher pay can be provided; and (b) the development of township and village enterprises. The programme also gives priority to the achievement of universal primary education, elimination of illiteracy among teenagers and improved access of poor families to basic health services. A special central fund of 10 billion yuan (more than $1 billion) is allocated to 592 poor counties every year.

16. Proposed UNDP support to the implementation of the National "8-7" Poverty Reduction Programme will consist of:

(a) Demonstration projects in poor counties will be the mainstay of the poverty elimination strategy for the first CCF, accounting for 30 per cent of resources assigned under line 1.1.1 of the target for resource assignments from the core (TRAC), or approximately $40 million. The projects will cover selected poor counties in the southern and north-western provinces of China. While an immediate objective will be to raise people out of poverty in the poor counties in these provinces, more importantly, the overall goal will be to demonstrate new and innovative participatory approaches to poverty eradication, approaches which are sustainable and which can be replicated in other poor counties. While the county-based demonstration projects will differ in orientation and content in each province to reflect local conditions and requirements, they will in each: (i) target the poorest families in the selected pilot villages; (ii) promote participatory approaches through group formation for rural credit and skills-upgrading; (iii) mobilize technical support to poor families to apply improved technologies and practices to generate additional income; and (iv) provide access to credit;

(b) Policy support at the central level: At the Government's request, as in the past, UNDP will continue to render policy advice, organize policy workshops and facilitate networking and exposure by Chinese policy makers responsible for poverty alleviation work with their counterparts in other countries. UNDP will work with CICETE and other relevant government agencies involved in poverty alleviation. With the national "8-7" programme in place, attention may shift to training, review of experience with implementation, and the encouragement of innovative poverty elimination methodologies (e.g., participatory approaches, Grameen Bank-type rural credit) and dissemination workshops;

(c) Capacity-building for poverty elimination projects will be implemented by training the government cadres responsible for carrying out poverty

elimination programmes at the provincial and county levels. For the first CCF, the Government will request UNDP to provide further assistance for training through an expanded network which will support UNDP-assisted county-based poverty demonstration projects in western provinces.

Sustainable agriculture and food security

17. The ninth five-year development plan puts agriculture at the top of the national economic agenda. The three main goals of the plan are: (a) to reach a total grain production of 490 to 500 million tons; (b) to raise the standard of living of farmers; and (c) to eradicate the poverty of the remaining 70 million poor (mainly farmers). To achieve these goals, the Government will implement the following policy measures: (a) invigorate agriculture with science, technology and education through the popularization of new technologies and techniques; (b) increase investment to the sector and provide incentives; (c) raise the level of productivity of medium- and low-yield farmland and build up the grain and cotton production bases in Heilongjiang, Xinjiang and other provinces; (d) protect farmland and maintain a minimum 110 million hectares of seeded area; (e) solve the problems of high prices for agricultural inputs, low State grain prices and heavy tax burdens on the peasants; (f) promote the comprehensive development of agriculture, forestry, animal husbandry, fishery and agro-processing industries; (g) mobilize human resources to work on farmland improvement projects, water conservancy, road construction and afforestation; and (h) further develop township and village enterprises as the best means to accelerate the development of the rural economy and for increasing employment and income for the peasants.

18. Proposed UNDP support to the above national programme will consist of the following:

(a) Promotion of sustainable agriculture practices: The Low-External Inputs Sustainable Agriculture (LEISA) approach will be promoted in the UNDP poor-county demonstration projects. The use of harmful chemical fertilizers and pesticides will be discouraged and extension workers and farmers will be taught biological means of pest control (integrated pest management). Work will be carried out in afforestation, irrigation, terracing and other measures aimed at decreasing soil erosion and land degradation. UNDP will be requested to assist in policy and dissemination workshops for sustainable agricultural development;

(b) Research and development institution and capacity-building: At the Government's request, UNDP will continue to strengthen agricultural research and development institutions, especially those servicing poor areas. In north-western China, UNDP will continue to support institutions addressing desertification, irrigation and farming techniques for dry land and fruit tree development. In addition, UNDP will support a research and development programme for income-generating cash crops such as rapeseed, peanuts and sugarcane, and for rice breeding suited to poor regions;

(c) Dissemination and transfer of appropriate technology to small farmers for agriculture and non-farm employment will be promoted. The Government has requested that UNDP to provide support to research and development institutions working with farmer extension and other services that reach poor households and

communities. The successful experience of the Chinese Government's "SPARK" programme in promoting the use of science and technology in rural areas will serve as a useful reference for UNDP efforts. As successfully illustrated in UNDP projects for semi-arid/arid land agricultural development in north-western China, new and innovative techniques in areas such as virus-free fruit tree cultivation, agricultural machinery, agricultural education, irrigation and dry land farming systems can be brought together for demonstration in selected model counties. A comprehensive plan will be drawn up by CICETE and UNDP to transfer and extend the results of the UNDP-supported projects for seed breeding, semi-arid/arid land agricultural development in the north-west, sustainable agro-inputs, and other such national programmes to the new UNDP poverty elimination programmes to be assisted by UNDP during the period covered by the first CCF.

Employment, macroeconomic and enterprise reform and governance

Employment

19. The Government is charting a national strategy for employment generation intended to stimulate the rapid growth of the underdeveloped tertiary sector, which has tremendous potential for creating new jobs in both urban and rural areas. Preferential tax and credit policies are being planned for investors willing to start up labour-intensive, service businesses. Additional tax incentives will be provided to those enterprises employing disadvantaged groups. An employment-promotion law will be promulgated to provide the legal framework for job creation programmes nationwide. The Government will also continue to implement labour market and social security reforms to bring about improved labour mobility. In the rural areas, the focus of the Government's job creation strategy is on the development of TVEs, not only in the traditional manufacturing sector, but also in the underdeveloped agro-processing and services sectors. In addition to their critical role in generating off-farm employment for the rural work force, TVEs will be used as the nucleus for the development of small towns to absorb rural populations that would otherwise flow to large urban centres.

20. Proposed UNDP support to the National Programme will focus on the following:

(a) Policy formulation at the central level: UNDP will be requested to provide financial assistance to further studies in: (i) assessment of the strategies proposed for redeploying redundant urban labour, focusing on the cost-effectiveness of incentive programmes for job creation through the development of small- and medium-sized enterprises in the service sector; (ii) critical review of the draft employment promotion law before it goes before the National People's Congress for approval; and (iii) evaluation of policies and proposals to facilitate more orderly and rational rural-urban labour migration. The Government will encourage UNDP support towards policy studies on the volume, nature and pattern of migrant flows within and across provinces and regions;

(b) Demonstration projects in selected pilot towns: UNDP will be requested by the Government to assist several of the 57 small towns in the State

Council's pilot programme, as demonstration sites for the establishment of effective township administration systems. Project assistance will promote innovative approaches, combining policy advice (on local tax systems, standardization of rules for land registration, residence registration, incentive programmes for the development of service industries, etc.), technical cooperation to set up key administrative functions (tax collection, budget and finance systems, social security systems, law enforcement, etc.), and capacity-building through training of local officials.

Macroeconomic and enterprise reform and governance

21. In response to macroeconomic challenges, major policy changes in the fiscal and monetary areas have been included and are under implementation in a comprehensive blueprint for the country's transition to a market-based economy. In early 1994, the Government introduced, with UNDP cooperation, a fiscal reform package that overhauled the tax system. The Government also launched financial reform programmes in 1994, to strengthen the supervisory role of the central bank, limit the lending authority of branches and separate policy from commercial lending. During the ninth five-year development plan, reforms will be aimed at: replacing the credit plan with indirect monetary instruments, ultimately including market-responsive interest rates and non-discriminatory access to foreign exchange; curtailing directed credit to quasi-fiscal activities; developing the credit markets; and developing banking and non-banking supervision and payment systems. Reforms in the State enterprise sector are being undertaken or planned in asset valuation and management, corporatization, shareholding arrangements, redeployment of redundant workers, risk-pooling for pension and health care and a limited number of bankruptcies.

22. Proposed UNDP support for the national programme will consist of the following:

(a) Macroeconomic management: UNDP will be requested by the Government to provide technical cooperation to the People's Bank of China (PBC) to strengthen and standardize its supervision capacity and rationalize its treasury management functions. Policy studies and training will be provided for PBC and the State Administration of Exchange Control in the area of renminbi convertibility in the current account. Given the need for improved fiscal tools in macroeconomic management, UNDP cooperation in reforming tax policy and the administration system may continue;

(b) Economic reforms: UNDP support to the Government's enterprise reform programme will be maintained through a technical cooperation programme to improve the management of large, State-owned enterprises. Attention will focus on improving the enabling environment for enterprise reform, through support to reforms in the financial, trade, social and legislative areas. UNDP technical cooperation will be extended for reforming domestic commodity markets and distribution systems;

(c) Administrative reform: In the interest of helping to eradicate poverty and maintain social stability in the countryside, UNDP will be requested to provide resources to the Ministry of Civil Affairs to build its capacity and train elected officials in business and other management skills. Continued

cooperation will be provided for the Government's efforts to realign government functions, structure and staffing at all levels, to meet the needs of the market economy.

Education, health and women's issues

Education

23. China is one of the key "nine most populous countries" targeted under the World Conference on Education for All's goal of education for all by the year 2000. The two primary national goals are (a) to achieve nine years of compulsory education for those living in urban areas and six years of compulsory education for those living in rural areas; and (b) to eradicate illiteracy among the youth and able-bodied. Moreover, the "Guidelines for China's Educational Reform and Development" have also accorded high priority to secondary vocational education, in order to meet the demands of the market economy, and to higher education, where the goal is to select 100 institutions of higher learning and build them into top-rate universities, to serve as science and technology centres for future development.

24. Proposed UNDP support will focus on inequity and quality issues in rural education. Since the disparities are caused by many individual factors, including the fact that relatively poor areas are able to finance only relatively poor quality schools; the uneven distribution of school locations; traditional discrimination against girls attending schools after the primary levels; rigid, relatively traditional curriculum content; and unqualified teachers; the solution to the problem must be comprehensive, encompassing social, economic, cultural and educational factors. A project on comprehensive rural basic education reform, focusing on rural girls and women, will be developed to work towards effective quality education at the primary and secondary levels.

Health

25. While maintaining "prevention first" as its top priority, the Government will strengthen efforts to consolidate and develop the rural, county, township, and village medical care network; continue to improve public sanitation in the cities and countryside; and develop strategies in line with the global goal of health for all by the year 2000. Meanwhile, the Government will also endeavour to prevent or control serious diseases, and to improve medical monitoring and prevention abilities and reduce the incidence of illness. In the past, UNDP has assisted two national programmes aimed at the universal iodination of salt by 1996 for the prevention of iodine deficiency disorders and HIV/AIDS prevention and control.

26. UNDP will continue to support government efforts towards curbing the spread of HIV/AIDS and other health problems, by focusing on management capacity-building and technical support, particularly in poor areas. For HIV/AIDS, the focus will be on: multisectoral training through the National AIDS Training Centre in Shanghai; public health education, especially in coastal provinces, on the spread of sexually transmitted diseases; and community-based activities designed for direct work with high-risk groups.

Women's issues

27. On the eve of the Fourth World Conference on Women, the Government formulated the Programme for the Development of Chinese Women (1995-2000). By the end of this century the general target of the programme is to achieve the equality of women, as granted by the law, in political, economic, cultural, social and family affairs, through full participation in economic growth and social development and in the management of the State and social affairs. The Programme will also serve fundamentally as China's national strategy to the follow-up action of the Women's Conference's Platform for Action.

28. Proposed UNDP support will consist of the following:

(a) Support to the Government's initiatives in its implementation of the Beijing Platform for Action, with special attention to women's reproductive health, illiteracy, poverty eradication, basic education and women's access to rural/commercial credit. In this connection, UNDP cooperation will include a project concerned with capacity-building for rural women's participation in sustainable development in north-western China;

(b) Support to the activities of women's non-governmental organizations (NGOs) in China, including the All-China Women's Federation, especially at the provincial and county levels, and to newly established women's NGOs in poor areas, including a proposed project for women's NGOs to promote income-generation activities for women in Inner Mongolia;

(c) Support to other community demonstration projects intended to improve women's productivity, income and welfare in rural areas;

(d) Special attention to ensuring women's participation in, and benefit from, UNDP cooperation in all programme areas.

Sustainable development, environment and energy

Sustainable development

29. Within the overall framework of the country's ninth five-year plan, the priority policies and programmes for sustainable development are described in "China's Agenda 21: White Paper on China's Population, Environment and Development in the 21st Century". The People's Republic of China's Agenda 21 sets out the principles for achieving sustainable development by promoting economic and social development, while taking fully into account environmental consequences and the need for conservation in the use of scarce natural resources. In the context of the ninth five-year plan, all levels of government have been requested to prepare and implement Agenda 21 sustainable development strategies, consistent with local conditions and requirements.

30. Proposed UNDP support towards the country's Agenda 21 strategies will focus on resource mobilization and capacity-building in the following areas:

(a) Support to the implementation of Agenda 21 sustainable development strategies at the provincial and municipal levels;

(b) Support to Agenda 21 priority programme projects concerned with policy, programme formulation, legislation, education and demonstration of sustainable development practices. These include: the Yellow River Delta and Jiangxi Mountain-River-Lake sustainable area development projects; the Lancang-Upper Mekong and Euro-Asia Continental Landbridge sustainable development projects; and the Beijing Municipality Sustainable Development project.

31. Non-core resources from Capacity 21 and other extrabudgetary sources will be explored to help fund the above-mentioned programmes.

Environmental protection

32. During the ninth five-year plan period, the Government will address: water pollution in the key river basins; atmospheric pollution; solid waste management; conservation of the biological environment; and conservation in key industries, including coal, oil and gas, electricity, chemicals and metals; new methods of environmental monitoring; and management capacity-building to introduce more effective administrative means of pollution control and prevention.

33. Depending on the funding source, proposed UNDP support will focus on the following priority areas of the national programme:

(a) Core TRAC resources: Support to capacity-building in atmospheric pollution control and acid rain reduction, water-use efficiency and conservation, municipal water treatment, planning and solid waste management, and environmental education/public awareness;

(b) Global Environmental Facility (GEF): Non-core funding of approximately $50 million will be sought from GEF to assist in energy conservation in TVEs, energy efficient refrigeration, wetlands protection, biodiversity conservation, methane recovery from municipal wastes, renewable energy commercialization and development and regional marine pollution;

(c) Montreal Protocol: The programme is expected to grow by $20 to $30 million during the period of the first CCF, focusing on technology transfer and small-scale investment projects for chloro-fluorocarbon replacement.

Energy

34. In the ninth five-year plan, an emphasis has been placed on both increasing the supply of energy and promoting greater energy efficiency and conservation on the demand side, as both are needed to keep up with the overall energy needs of the country. A growth rate of 8.1 per cent in energy output is proposed for the ninth five-year plan period, which will be needed to support 8 to 9 per cent annual growth in the national economy up to the year 2000. Some 30 per cent of new energy capacity is expected to be financed from foreign investment, and great emphasis is placed on the need to seek out modern clean coal technologies to reduce the pollution load. The Government has moved to liberalize energy prices, and as price signals start to affect consumption, greater efforts are needed in energy efficient technology and production processes, efficient

combustion technology, improvements in operations and maintenance, and energy sector administration.

35. Proposed UNDP support will focus on the following priority areas of the national programme:

(a) Enabling energy policy for sustainable development, including capacity-building in energy planning, grid planning, investment promotion, energy financing and such enabling activities to support the transition to the market economy in the energy sector as integrated resources planning, energy market construction and energy price management;

(b) Supply-side support for clean coal and other energy technology development, including demonstration activities, technical exchanges and capacity-building to support technology leapfrogging to high efficiency, low pollution, cleaner coal technologies, possibly involving pre-investment activities to facilitate China's access to international investment opportunities in the field. Support for the development of new technology for the supply of energy, such as fuel cells, coalbed methane, etc., will also be provided;

(c) Demand-side management and pollution control to finance the promotion of energy efficiency and capital renovation through technical assistance with the credit system to establish new modalities such as the promotion of energy service companies, marketing domestic energy efficiency technology, pilot project of green lighting, market-oriented incentive systems; and

(d) New and renewable energy in poor areas, including the promotion and commercialization of such technologies as wind energy, solar and photovoltaic hybrids, as well as commercial biomass to fit the Chinese rural situation.

IV. MANAGEMENT ARRANGEMENTS

Execution and implementation

36. National execution will remain the primary mode of execution. As the UNDP counterpart, CICETE will be the main implementing agency for UNDP-assisted projects, with the possible involvement of other government agencies. To complement and assist CICETE in the implementation of UNDP programmes, the following parties may be involved:

(a) United Nations specialized agencies, such as the Food and Agriculture Organization of the United Nations, the International Labour Organization, the United Nations Educational, Scientific and Cultural Organization, the United Nations Industrial Development Organization (UNIDO), the World Health Organization, and other technical agencies, such as the Department for Development Support and Management Services, to assist in project implementation under subcontracts and to backstop project delivery under the new support cost arrangements;

(b) United Nations Volunteers, both international and national, to assist in programme implementation, such as in the community-based poverty alleviation programmes;

(c) Experts under the Senior Technical Adviser Recruitment (STAR) and Transfer of Knowledge through Expatriate Nationals (TOKTEN) programmes for short-term consultancy assignments;

(d) Regional expertise through TCDC programmes and exchanges.

37. Capacity-building through training in programme management and all components of implementation will continue to be necessary for CICETE and other national executing/implementing agencies, due to staff turnover and greater involvement in village household based poverty elimination projects in remote areas of the country, with complex design and implementation arrangements. Training and other capacity-building support provided to CICETE in 1995, under a programme Logistics Support Project, will also be continued in the period covered by the first CCF. Country-level training to strengthen capacity to implement project activities during the 1996-2000 period will include training in the following areas:

(a) UNDP project management for National Project Directors (NPDs);

(b) Programme management for new CICETE and UNDP staff;

(c) Poverty alleviation, environment, women's issues and other SHD areas, for CICETE and UNDP staffs;

(d) Recruitment, equipment procurement, subcontracting, organization of training, personnel management and financial systems for CICETE;

(e) Computer software and hardware systems, for greater office productivity and efficiency at CICETE.

Monitoring and review

38. Following approval of the cooperation framework, an inception workshop is planned for CICETE and UNDP staffs, in order to discuss strategies for optimal project formulation, management, implementation, monitoring and evaluation. Elements of improved project implementation monitoring and review are outlined in paragraphs 39-41 below.

39. More rigorous programme monitoring procedures will be introduced, including the use of Project Steering Committees (PSC) for larger projects. The tripartite review (TPR) meeting mechanism will continue to be used for smaller, typically stand-alone projects. PSCs involve formally constituted managerial bodies with recipient ministry, recipient unit, CICETE, UNDP and any other national or external donor representation relevant to project and national programme implementation. The PSC annual reviews are more intensive than TPRs, with detailed reports on past, current and proposed future activities prepared by the NPD and other external and national staff monitoring missions conducted in preparation for the meetings. PSC meetings go into more detail, taking from

one to two days, while TPRs usually take half a day. For PSCs, an international technical adviser and national advisers may be designated to assist the NPDs and provide management advice to UNDP on the technical and financial aspects of each project. In between PSC annual reviews, ad hoc management and monitoring meetings and visits will be held to resolve any major project implementation difficulties that require immediate resolution.

40. Improved quantitative indicators are being developed for better impact assessment. As UNDP projects are designed to support priority national programmes, UNDP projects generally adopt the targets of the national programmes they are supporting (e.g., support poverty elimination, basic education, health for all, and the elimination of iodine deficiency disorders by the year 2000, etc.). In addition, major UNDP projects will include baseline data and benchmark targets to help facilitate project management and the external monitoring of implementation in relation to intended objectives. With respect to poverty elimination projects, for example, baseline household surveys are conducted to produce household profiles, with income, consumption, health, education and other basic information that can help to ensure targeting of cooperation at the needs of poorest families, including women. Specific benchmark indicators are also included such as numbers of persons who have received credit or training, or who have had their standard of living raised above the absolute poverty line, etc., are also included to help measure progress in achieving intended objectives.

41. Mid-term evaluations will continue to be carried out for large-scale projects. Terminal ex post facto evaluations will be conducted on a selective basis, for projects where continuing cooperation is contemplated into the next cycle, or where there are lessons and valuable experience to be gained through documentation and dissemination. Thematic evaluations will also be used as an efficient means to assess the impact of projects in the same sector, particularly in cases where they might help to improve overall implementation and usefulness.

Resource mobilization and aid coordination

42. With an expected TRAC allocation of $48.6 million (line 1.1.1) (and possible additional resources under TRAC line 1.1.2), the UNDP country office will aim to mobilize additional "extrabudgetary" resources amounting to some $121 million during the 1996-2000 CCF period. In this connection, highest priority will continue to be given to increasing GEF and Montreal Protocol resources in support of priority global environmental protection activities, and government cost-sharing funds for most UNDP support projects. The UNDP country office's goals for "extrabudgetary" resources during the 1996-2000 period are summarized in the annex.

43. MOFTEC has recently established, with UNDP cooperation, a new Programme Aid Coordination Committee, with its own small secretariat, to prioritize, coordinate and approve multilateral and bilateral cooperation provided to China through MOFTEC. The Committee is headed by an Assistant Minister and composed of the Director-General of CICETE responsible for UNDP, UNIDO and other cooperation programmes of the United Nations agencies, and the Director-General of the Department of International Trade and Economic Affairs responsible for

the United Nations Children's Fund and the United Nations Population Fund and for most bilateral aid. This Committee will help to promote greater coordination within MOFTEC and other parts of the Government and aid agencies, to avoid working in isolation and duplicating each other's efforts. As UNDP and other members of the United Nations system in China and bilateral donors are all generally interested in assisting China in the same United Nations global conference thematic areas, especially poverty elimination, there is good potential for improved coordination of JCGP organizations and other external donor assistance, with all the advantages of complementary, mutually reinforcing contributions in areas of highest priority to China.

44. In addition, the United Nations Resident Coordinator of the United Nations system in China has convened seven United Nations and Bretton Woods Inter-Agency Task Forces, in the areas of establishing an enabling economic environment for sustainable development, poverty elimination, employment promotion, sustainable agriculture and food security, child summit goals, health and education for all and women in development, to support the People's Republic of China's achievement of various United Nations global conference goals and related national development objectives.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR CHINA (1996-2000)

(In thousands of United States dollars)

Source		Amount	Comments
UNDP CORE FUNDS			
Estimated IPF available		22 500	As at 1/1/96.
TRAC 1.1.1		48 566	Assigned immediately to country.
TRAC 1.1.2		0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
SPPD/STS		5 274	
Subtotal		76 340 a/	
UNDP NON-CORE FUNDS			
3.0	Government cost-sharing	25 000	Primarily projects in economic reform and environment sectors.
4.0	Third-party cost-sharing	15 000	
5.0	Sustainable development funds:	81 000 of which:	
	GEF	50 000	TVE emissions, landfill methane recovery, renewable energy, wetlands protection, energy efficient refrigeration.
	Capacity 21	1 000	Capacity 21 programme fully committed.
	Montreal Protocol	30 000	Funding likely to diminish during the first CCF.
6.0	Other (UNIFEM)		
	Subtotal	121 000	
GRAND TOTAL		197 340 a/	

a/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: CCF = country cooperation framework; GEF = Global Environment Facility; IPF = indicative planning figure; SSPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignments from the core; TVE = township and village enterprise; UNIFEM = United Nations Development Fund for Women.